

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 1603 – HB 2528

February 27, 2018

SUMMARY OF BILL: Requires retainage due to a contractor be paid within 90 days after: (1) the owner has received a use and/or occupancy permit for an improvement from a governmental agency lawfully issuing such permit; (2) the owner received a certificate of substantial completion from an architect charged with supervision of the construction of an improvement; or (3) the owner begins to use an improvement.

Removes requirement that party responsible for depositing retainage into an escrow account provide a written notice to the prime contractor. Requires notice be given upon withholding the retainage upon the initial deposit of the funds or as further agreed by the parties by contract.

ESTIMATED FISCAL IMPACT:

NOT SIGNIFICANT

Assumptions:

- Pursuant to Tenn. Code Ann. § 66-34-103(b), all retainages for work completed pursuant to the terms of any contract shall be released and paid to the prime contractor within 90 days after completion of the work or within 90 days of substantial completion of the project for work completed, whichever occurs first.
- Passage of this legislation will change when the retainage is due to a contractor to be paid within 90 days after one of the three aforementioned events.
- No significant impact on the Board of Licensing Contractors (BLC).
- Pursuant to Tenn. Code Ann. § 4-29-121, all regulatory boards are required to be self-supporting over any two-year period. The BLC experienced a deficit of \$1,824,014 in FY15-16, a surplus of \$164,954 in FY16-17, and had a cumulative reserve balance of \$2,416,254 on June 30, 2017.

IMPACT TO COMMERCE:

NOT SIGNIFICANT

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Assumption:

- This legislation is estimated to have no significant impact on commerce or jobs in this state.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/vlh